

APPENDIX C

GRANT WRITING COST ANALYSIS

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Introduction:

Because many non-profit organizations and communities not regularly involved in project design and development have little idea of what it normally costs to perform these activities or how to evaluate the level of work and time required, we have prepared a general outline for review by those planning a rehabilitation program.

(1) Anatomy of the Grant Funding Process: (The following process will not apply nor need to be repeated for every grant in a funding package. However, all these activities must be performed at least once for each project. The listed activities include developing a Needs Assessment and Housing Plan.)

| <u>Activity Summary</u> | <u>Estimated hours (minimums)</u> | <u>Additional Expenses</u> |
|---|---------------------------------------|----------------------------|
| Part I General activities performed each year: | | |
| 1. Attend Seminars/Workshops | 12.0 | travel/lodging/meals |
| 2. Study new regulations | 4.0 | |
| 3. Call agencies, questions, clarification legal opinions | 6.0 | |
| Part II | | |
| 4. Preliminary telephone discussion with client | 2.0 | (Often 48 hrs w/travel) |
| 5. Preliminary meetings with community/ client | 24.0 | |
| 6. Prepare charts, project analysis, options, feasibility | 8.0 | |
| 7. Work-up specific tasks, time present and refine | 10.0 | travel |
| 8. Preliminary staff meeting in-house & funding source | 12.0 | |
| 9. Research contact other agencies other grant funding other financing review new rules for each | 30.0 | |
| 10. Ongoing meetings-client, Boards, Councils, etc. | 10.0 | travel |
| 11. Prepare for and conduct hearings with charts, presentations, agenda | 12.0 | travel/lodging/meals |
| 12. Media/follow-up from meetings | 6.0 | |
| 13. Meetings with other groups for info and for support/refinement | 16.0 | travel |
| SUBTOTAL | 152.0 | |

| | | | |
|--|----|--------------|----------------------|
| 14. Supervise Community Surveys | | | |
| custom design | 4 | | |
| discussion/approve | 5 | | |
| revise/print | 2 | | |
| train surveyors | 3 | | |
| collect data | 2 | | |
| analyze data | 2 | | |
| write report | 10 | 31.0 | travel |
| 15. Housing condition survey | | | |
| on-site/mapping/forms | | | |
| analysis/meetings/cost analysis | | 80.0 | travel/lodging/meals |
| 16. Housing Policies and Procedures | | 16.0 | |
| 17. Housing Forms and Certifications | | 24.0 | |
| 18. LMI Meetings/issues | | 16.0 | travel |
| 19. Lender, financial leverage meetings | | 8.0 | travel |
| 20. Misc./increase community contact | | 10.0 | |
| 21. Management Plan | | 8.0 | |
| 22. Preliminary Sub-recipient agreement | | 8.0 | |
| 22. Preliminary Environmental Review | | 8.0 | |
| 23. Synthesize data | | 6.0 | |
| 24. Meetings with public officials/clients | | 8.0 | travel |
| 25. Write grant application | | 60.0 | |
| 26. Proof read/cross check data/internal | | 12.0 | |
| 27. Prepare attachments | | 6.0 | |
| 28. Final printing/copies/binding | | 6.0 | |
| 24. Final meeting/hearing/signature/mailing | | 4.0 | travel |
| 25. Miscellaneous/re-writes/delays | | 10.0 | |
| 26. Interim meetings/telephone with grant source | | 24.0 | |
| SUBTOTAL: | | 497.0 | |

Part II (follow-up during ranking)

| | |
|---|--------------|
| Telephone calls to source and related information | |
| sources | 5.0 |
| Agency calls/questions | 4.0 |
| SUBTOTAL: | 506.0 |

Part III (following award, before project startup)

| | |
|--|--------------|
| 1. Prepare RFP notices | 4.0 |
| 2. Prepare local contract/conditions | 4.0 |
| 3. Meeting with Client | 8.0 |
| 4. Assist client with RFP responses | 10.0 |
| 5. Agency follow-up | 4.0 |
| 6. Local follow-up | 4.0 |
| 7. Sign admin. contract/mobilize/develop schedules | 2.0 |
| GRAND TOTAL | 544.0 |

(2) Cost Comparisons:

There is a general rule of thumb in assembling grant funding packages, that has proven itself many times. That is, the true cost of writing, or better said "funding" a grant package, is:

5% of the first \$100,000
3% of the second \$100,000
1% of each \$100,000 thereafter

Obviously, the more a funding packager becomes familiar with a certain type of grant and its funding sources, the less it costs to write that type of grant. That is why grant writers often specialize: housing writers work with housing and related fields, health care with health care issues, etc. But specialization aside, the rule is still fairly accurate.

Example:

\$ 50,000 grant should cost about \$2,500 to fund
\$ 100,000 grant should cost about \$5,000 to fund
\$ 200,000 grant should cost about \$8,000 to fund
\$ 250,000 grant should cost about \$8,500 to fund
\$ 400,000 grant should cost about \$10,000 to fund
\$ 1,000,000 grant should cost about \$16,000 to fund

As you can see, there is little cost efficiency in a small grant. Cost efficiency gets markedly better on projects over \$250,000.

It should also be noted that certain types of grants cost more to fund than others due to the grant criteria created by the grant source. For example, a CDBG housing grant is far more time consuming than a CDBG public facilities grant, and an economic development grant is about 20% less expensive than public facilities.

A Montana Coal Board grant application is the least expensive to prepare and administer, while a CDBG is the most expensive. DNRC, FmHA, SRF, FW&P, DOL and DOT grants are about the same. While Arts and Humanities, Crime Control, SRS, and similar grant are less complicated, they are also generally smaller and less cost efficient to develop. (Note: Except for CDBG, the grants mentioned in this paragraph generally do not fund housing rehabilitation.)

(3) How do Consultants Determine Rates?

The rates consultants charge for services are based on real costs. Competition between grant writing consultants is non-existent, and the clients served generally do not have a significant amount of discretionary funds. Therefore, fees for professional grant writing services are consistent among the practitioners and affordable to local governments and other clients.

Cautions: It is very important that prospective clients understand that it is contrary to federal law for a consultant to work on a percentage to be paid from grant proceeds after the grant is funded. It is also important to know that any cost of program design and planning incurred prior to obtaining the grant funding is **not reimbursable** from grant sources. Any attempt to extract these fees from grant sources by "under the

table" agreements is a serious legal violation. If a client chooses to place the consultant on a percentage based on the success of the grant, the funds still have to be paid from non-grant sources.

The following consulting expenses are generally included in the hourly rate. The exceptions for the purposes of calculating consulting rates are specific travel, sometimes telephone for those kinds of projects that have higher than normal costs and sub-contracted services or special client requirements.

1. Staff time
2. Payroll Taxes
3. Insurance (auto, office, health, life)
4. Payroll benefits
5. Unemployment/Worker's Comp
6. Equipment costs (Computer, typewriter, copier, office maintenance, desks, chairs, file cabinets, FAX, camera, video equipment, etc.
7. Vehicles
8. Postage
9. Printing.
10. Telephone (incl. FAX)
11. Office supplies
12. Office rent
13. Cleaning
14. Professional publications
15. Sub-contract services
16. Legal service
17. Accounting
18. Special materials (aerial and topo maps, photographs)
19. Professional training/workshops, including travel costs
20. Interest on loans for operating capital
21. Retirement accounts/employee benefits
22. Advertising/promotion/donations
23. Profit

How to calculate the actual rate.

There are **2,080** hours in a normal working year

less 40 hours sick leave

less 80 hours vacation

less 80 hours training/workshops

Balance **1,880 billable hours (in theory)**

X 70% efficiency rate (accounts for non-billable staff time, supervision, general startup, follow-up, public relations, etc.)

Balance **1,316 billable hours (in reality)**

Comparative Salaries:

1. \$10,400 per year divided by 1,316 = \$ 7.90 per hour
2. \$20,000 per year divided by 1,316 = \$15.19 per hour
3. \$25,000 per year divided by 1,316 = \$18.99 per hour
4. \$30,000 per year divided by 1,316 = \$22.79 per hour

The above salary shows only the billing required to pay the consultant's salary, and does not account for all the expenses listed above. Accounting for these costs is calculated using a factor called a "multiplier" by accountants. Within the consulting industry, according to the norma and publications like Consulting to Government (federal cost analysis of consulting costs), the standard cost multiplier rate is from 2.7 to 3.5 per hour for the hourly fee charged. The multiplier rate can vary from firm to firm and from year to year depending upon costs experienced by the consulting firm. Therefore, the following hourly rates would need to be applied to earn the stated annual salaries:

| Salary | | Hourly rate | | | |
|--------|----------|-------------|-------------|---|---------|
| 1. | \$10,400 | X | 2.7 (costs) | = | \$21.33 |
| | | X | 3.5 (costs) | = | \$27.65 |
| 2. | \$20,000 | X | 2.7 (costs) | = | \$41.01 |
| | | X | 3.5 (costs) | = | \$53.16 |
| 3. | \$25,000 | X | 2.7 (costs) | = | \$51.27 |
| | | X | 3.5 (costs) | = | \$66.46 |
| 4. | \$30,000 | X | 2.7 (costs) | = | \$61.53 |
| | | X | 3.5 (costs) | = | \$79.76 |

The cited rates apply to all types of consulting professionals, including architects, engineers, and other professionals retained by contract agreement. If these consultants are able to provide their services at a lower cost than the multiplier product, it is the result of increased efficiency and proficiency, absorbing costs, donating hours spent on outreach and public relations, information dissemination, and other economies.